



STATE OF ARKANSAS
**Department of Finance
and Administration**
<http://www.arkansas.gov/dfa>

SALES & USE TAX SECTION
P. O. BOX 1272
LITTLE ROCK, AR 72203-1272
PHONE (501) 682-7104
FAX (501) 682-7904

Arkansas Sales Tax Holiday - August 6 and 7, 2011

Instructions for Retailers

Act 757 of 2011 provides for a sales tax holiday in Arkansas during the first weekend of August each year. A sales tax holiday is a temporary period when state and local sales taxes are not collected or paid on the purchase of certain products.

The Arkansas sales tax holiday for 2011 will begin on Saturday, August 6, 2011 at 12:01 AM and will continue through Sunday, August 7, 2011 at 11:59 PM. State and local sales tax will not be collected during this 48-hour period on the sale of: (1) Clothing and footwear if the sales price is less than one hundred dollars (\$100) per item; (2) Clothing accessories and equipment if the sales price is less than fifty dollars (\$50) per item; (3) School supplies; (4) School art supplies; and (5) School instructional materials. For purposes of the holiday period, the following definitions apply:

Clothing - Any article of human wearing apparel suitable for general use with a sales price of less than one hundred dollars (\$100) per item. See the product definition list for examples.

Clothing Accessories or Equipment - An item worn on the person or in conjunction with clothing with a sales price of less than fifty dollars (\$50) per item. See the product definition list for examples.

School Supply - An item commonly used by a student in a course of study. See the product definition list for the specific items that are eligible for the sales tax exemption when purchased during the holiday period. If an item is not on the listing, it remains taxable during the sales tax holiday period.

School Art Supply - An item commonly used by a student in the course of study for artwork. See the product definition list for the specific items that are eligible for the sales tax exemption when purchased during the holiday period. If an item is not on the listing, it remains taxable during the sales tax holiday period.

School Instructional Materials - Written materials commonly used by a student in a course of study as a reference and to learn the subject being taught. See the product definition list for the specific items that are eligible for the sales tax exemption when purchased during the holiday period. If an item is not on the listing, it remains taxable during the sales tax holiday period.

Procedures for Administration of the Sales Tax Holiday by Retailers

Retailers are required to participate if selling merchandise eligible for the holiday exemption and may not charge tax on items that are legally tax exempt during the sales tax holiday period.

Clothing: The holiday exemption for clothing is limited to single articles with a price of less than one hundred dollars (\$100). Items priced at one hundred dollars (\$100) or more are subject to the full state and local sales tax.

Example: A customer purchases two (2) shirts at \$50 each, a pair of jeans at \$75, and a pair of shoes at \$125. No state and local sales tax is due on the two shirts (\$50 each for a total of \$100) and the pair of jeans (\$75) even though the total cost (\$175) exceeds the \$100 threshold. However, the state and local sales tax will be due on the full purchase price (\$125) of the shoes since they exceed the one hundred dollar (\$100) threshold.

Items Normally Sold as a Single Unit: Items normally sold as a single unit, such as a pair of shoes or a men's suit, must continue to be sold as a single unit. Components cannot be priced separately and sold as individual items in order to qualify for the holiday exemption. However, if the items are normally priced separately, they may continue to be sold as separate items and qualify if the price of each article is less than \$100. When items of

eligible and non-eligible items sold together as a set or single unit, the full price is subject to sales tax if the value of the non-eligible item exceeds the value of the eligible item.

Buy One, Get One Free or for a Reduced Price: The total price of items advertised as “buy one, get one free” or “buy one, get one for a reduced price” cannot be averaged to qualify both items for the holiday. The amount of sales tax due depends on the actual price paid for each item sold.

Example, if a retailer advertises a pair of blue jeans as “buy one, get one 50% off” with the first pair of jeans priced at \$120 and the second pair at the half-price of \$60. Sales tax is due on the first pair priced at \$120 with the second pair priced at \$60 being eligible for the holiday exemption.

Discounts, Coupons, Rebates: Retailers may offer store discounts and store coupons to reduce the selling price of an eligible item in order to qualify for the holiday exemption. However, manufacturer's discount coupons do not reduce the selling price of an item and cannot be used to determine the selling price of an item in order to qualify for the holiday exemption. A manufacturer's rebate also does not reduce the selling price of an item and may not be used to qualify an item.

Layaways: Sales of eligible items under a layaway sale qualifies for exemption if final payment on a layaway order is made by, and the property is given to, the purchaser during the exemption period; or the purchaser selects the property and the retailer accepts the order for the item during the exemption period, for immediate delivery upon full payment, even if delivery is made after the holiday exemption period ends.

Rain Checks - A rain check allows a customer to purchase an item at a certain price at a later time because the particular item was out of stock. Eligible property that customers purchase during the exemption period with use of a rain check will qualify for the exemption regardless of when the rain check was issued. Issuance of a rain check during the exemption period will not qualify eligible property for the exemption if the property is actually purchased after the exemption period.

Exchanges - Procedures for an exchange in regards to a sales tax holiday are as follows:

- a) If a customer purchases an eligible item during the holiday exemption period but later exchanges the item for a similar eligible item, even if a different size, color, or other feature, no tax is due even if the exchange is made after the holiday period.
- b) If a customer purchases an eligible item during the holiday exemption period, but after the holiday has ended, the customer returns the item and receives credit on the purchase of a different item that was not eligible during the holiday, the appropriate state and local sales tax is due on the sale of the newly purchased item.
- c) If a customer purchases an eligible item prior to the holiday exemption period, but during the holiday period the customer returns the item and receives credit on the purchase of a different item of eligible property, no sales tax is due on the sale of the new item if the new item is purchased during the holiday exemption period.

Delivery Charges - Delivery charges, including shipping, handling and service charges, are part of the sales price of eligible items. For the purpose of determining a sales tax holiday price threshold, if all of the items in a shipment qualify as eligible property and the sales price for each item in the shipment is within the sales tax holiday price threshold, the retailer will not allocate the delivery, handling, or service charge to each item in order to determine if the price threshold is exceeded. The shipment will be considered a sale of eligible products.

If the shipment includes eligible holiday sales tax exempt items and other taxable items, the retailer seller should allocate the delivery charge by using: (a) A percentage based on the total sales prices of the taxable items compared to the total sales prices of all items in the shipment; or (b) A percentage based on the total weight of the taxable items compared to the total weight of all items in the shipment. The retailer must tax the percentage of the delivery charge allocated to the taxable property but not the percentage allocated to the holiday eligible items.

Order Date and Back Orders - For the purpose of a sales tax holiday, eligible property qualifies for exemption if: (a) the item is both delivered to and paid for by the customer during the exemption period; or (b) the customer orders and pays for the item and the seller accepts the order during the exemption period for immediate shipment, even if delivery is made after the exemption period. The seller is deemed to accept an order when the seller has taken action to fill the order for immediate shipment. Actions to fill an order include placement of an "in date" stamp on a mail order or assignment of an "order number" to a telephone order. An order is for immediate shipment when the customer does not request delayed shipment. An order is for immediate shipment notwithstanding that the shipment may be delayed because of a backlog of orders or because stock is currently unavailable to, or on back order by, the seller.

Returned Merchandise - For a 60-day period immediately after the sales tax holiday exemption period, when a customer returns an item that would qualify for the exemption, no credit for or refund of sales tax shall be given

unless the customer provides a receipt or invoice that shows tax was paid, or the seller has sufficient documentation to show that tax was paid on the specific item. This 60-day period is set solely for the purpose of designating a time period during which the customer must provide documentation that shows that sales tax was paid on returned merchandise. The 60-day period is not intended to change a seller's policy on the time period during which the seller will accept returns.

Sellers in Different Time Zones - The time zone of the seller's location determines the authorized time period for the sales tax holiday exemption when the purchaser is located in one time zone and a seller is located in another.

Product Definitions

"Clothing" of the type eligible for the sales tax holiday exemption with a price of less than \$100 per item includes all human wearing apparel suitable for general use. Additional examples include:

| | | |
|--------------------------------|----------------------------------|-----------------------------------|
| Aprons, household and shop | Formal wear | Rubber pants |
| Athletic supporters | Garters and garter belts | Sandals |
| Baby receiving blankets | Girdles | Scarves |
| Bathing suits and caps | Gloves & mittens for general use | Shoes and shoe laces |
| Beach capes and coats | Hats and caps | Slippers |
| Belts and suspenders | Hosiery | Sneakers |
| Boots | Insoles for shoes | Socks and stockings |
| Coats and jackets | Lab coats | Steel toed shoes |
| Costumes | Neckties | Underwear |
| Diapers, including disposables | Overshoes | Uniforms, athletic & non-athletic |
| Earmuffs | Pantyhose | Wedding apparel |
| Footlets | Rainwear | |

"Clothing" does not include:

- Belt buckles sold separately;
- Costume masks sold separately;
- Patches and emblems sold separately;
- Sewing equipment and supplies including knitting needles, patterns, pins, scissors, sewing machines, sewing needles, tape measures, and thimbles; and
- Sewing materials that become part of "clothing" including buttons, fabric, lace, thread, yarn, and zippers.
- "Protective equipment" for human wear and designed as protection of the wearer against injury or disease or as protection against damage or injury of other persons or property but not suitable for general use. Protective Equipment not eligible for the sales tax holiday exemption includes:

| | |
|----------------------------------|----------------------------|
| Breathing masks | Paint or dust respirators |
| Clean room apparel and equipment | Protective gloves |
| Ear and hearing protectors | Safety glasses and goggles |
| Face shields | Safety belts |
| Hard hats | Tool belts |
| Helmets | Welder's gloves and masks |

- "Sport or recreational equipment" designed for human use and worn in conjunction with an athletic or recreational activity that is not suitable for general use. Sport or recreational equipment not eligible for the sales tax holiday exemption includes:

| | |
|--|-----------------------|
| Ballet and tap shoes | Mouth guards |
| Cleated or spiked athletic shoes | Roller and ice skates |
| Gloves - baseball, bowling, boxing, hockey, and golf | Shin guards |
| Goggles | Shoulder pads |
| Hand and elbow guards | Ski boots |
| Life preservers and vests | Waders |
| | Wetsuits and fins |

"Clothing Accessories or Equipment" of the type eligible for the holiday exemption with a price of less than \$50 per item includes incidental items worn on the person or in conjunction with "clothing."

Examples include:

| | |
|---|-------------------------------|
| Briefcases | Jewelry |
| Cosmetics | Sun glasses, non-prescription |
| Hair notions, including barrettes, hair bows, & hair nets | Umbrellas |
| Handbags | Wallets |
| Handkerchiefs | Watches |
| | Wigs and hair pieces |

School Related Products

"School Supply" is an item commonly used by a student in a course of study. The following is a listing of school supplies eligible for the holiday exemption. If an item is not on the listing, it remains taxable during the sales tax holiday period.

| | | |
|--|--|-------------------------------|
| Binders | Highlighters | Pencil boxes and other school |
| Book bags | Index cards | supply boxes |
| Calculators | Index card boxes | Pencil sharpeners |
| Cellophane tape | Legal pads | Pencils |
| Blackboard chalk | Lunch boxes | Pens |
| Compasses | Markers | Protractors |
| Composition books | Notebooks | Rulers |
| Crayons | Paper; loose leaf ruled notebook | Scissors |
| Erasers | paper, copy paper, graph | Writing tablets |
| Folders; expandable, pocket, plastic, and manila | paper, tracing paper, manila | |
| Glue, paste, and paste sticks | paper, colored paper, poster board, and construction paper | |

"School Art Supply" is an item commonly used by a student in a course of study for artwork. The following is a listing of school art supplies eligible for the holiday exemption. If an item is not on the listing, it remains taxable during the sales tax holiday period.

| | |
|-----------------------------------|-------------------------|
| Clay and glazes | Sketch and drawing pads |
| Paints- acrylic, tempora, and oil | Watercolors |
| Paintbrushes for artwork | |

"School Instructional Material" is written material commonly used by a student in a course of study as a reference and to learn the subject being taught. The following is a listing of school instructional materials eligible for the holiday exemption. If an item is not on the listing, it remains taxable during the sales tax holiday period.

| |
|---------------------------|
| Reference books |
| Reference maps and globes |
| Textbooks |
| Workbooks |